

Message Text

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ACTION EB-08

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DEPT PASS USDA/FAS/WASHDC

E.O. 11652: N/A
TAGS: EAGR, EPAP, UR, US
SUBJECT: US-USSR GRAIN CONSULTATIONS

1. REGULAR SEMI-ANNUAL CONSULTATIONS UNDER US-USSR GRAIN AGREEMENT WERE HELD AT MINISTRY OF FOREIGN TRADE IN MOSCOW MAY 15. MAIN POINTS OF EXCHANGE BETWEEN U.S. (USDA ASST SECRETARY HATHAWAY) AND USSR (FOREIGN TRADE VICE MINISTER GORDEEV) WERE AS FOLLOWS:

2. THE SECOND-YEAR OF AGREEMENT, USSR CONFIRMED THAT PURCHASES THUS FAR TOTAL ABOUT 13 MMT, AND THAT SHIPMENTS TOTALLED 8.5 MMT THROUGH APRIL, WITH 3.1, 1.1, 0.3 AND 0.2 NOW SCHEDULED FOR MAY-AUGUST, RESPECTIVELY. WHEN ASKED IF THIS COMPLETES PURCHASES FOR SECOND-YEAR SHIPMENT, GORDEEV SAID THAT BECAUSE OF SPACING PROVISION THEY HAVE FELT LIMITED IN COMPLETION OF SECOND-YEAR PURCHASES TOO EARLY, AND THAT, THEREFORE, FURTHER PURCHASES SHOULD NOT BE PRECLUDED. HE SAID MORE COULD COME IN MAY AND JUNE, POSSIBLY AS LATE AS JULY. (WE MAY WISH TO TAKE
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THIS INTO ACCOUNT IN INTERIM IN ORDER TO AVOID THE POSSIBILITY THAT, IN RETROSPECT, THE 15 MMT "INVITATION" MIGHT COME TO BE VIEWED AS A LIMIT BY U.S. FARM SECTOR, I.E., ANOTHER EMBARGO, ETC.).

3. WHEN ASKED IF THEY SEE ANY POSSIBILITY OF DESIRE TO PURCHASE ABOVE 15 MMT (CURRENT "INVITATION" LEVEL INDI-

CATED BY U.S. DURING OCT '77 SESSION), GORDEEV SAID HE DID NOT THINK SO. HATHAWAY SAID THAT IF SUCH SITUATION SHOULD NEVERTHELESS ARISE, ATTACHE TRICK SHOULD BE NOTIFIED; HATHAWAY INDICATED THAT IN SUCH EVENT HE FELT WE COULD RESPOND QUICKLY.

4. DURING PRELIMINARY TECHNICAL PRESENTATIONS ON WORLD AND COUNTRY GRAIN SITUATIONS, PERSHIN (EXPORTKHLEB) MENTIONED CHINA AT LEAST THREE TIMES, IN CONNECTION WITH BOTH WHEAT AND CORN TRADE SITUATION. SAID THAT CHINA'S PURCHASES IN 78/79 MAY BE RECORD, PERHAPS 8.5 MMT.

5. TURNING TO THIRD-YEAR PROSPECTS HATHAWAY STRESSED REQUIREMENT UNDER NEW AG ACT FOR SET-ASIDE DECISIONS BY AUGUST 15 FOR WHEAT AND DECEMBER 15 FOR FEED GRAINS, AND THAT THIS PUTS ADDITIONAL IMPORTANCE ON FULLEST POSSIBLE DISCUSSION OF CROP AND TRADE PROSPECTS IN FUTURE CONSULTATION SESSIONS. ALSO SAID THAT FARMER RESERVE NOW BEING BUILT IS DESIGNED TO HELP U.S. BE EVEN MORE DEPENDABLE SUPPLIER TO ALL ITS FOREIGN CUSTOMERS.

6. GORDEEV SAID SOVIETS BELIEVE IT WAS WISE FOR U.S. TO GIVE NOTICE (DURING OCT '77 CONSULTATIONS) OF WILLINGNESS TO SUPPLY OVER 8 MMT, AND THAT THIS MADE IT MUCH EASIER FOR USSR TO MAKE ITS PURCHASES. HE SAID THIS APPROACH BROUGHT GOOD RESULTS AND THAT HE HOPES IT WOULD BE LIMITED OFFICIAL USE

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CONTINUED.

7. INTERESTINGLY, GORDEEV MADE SPECIAL POINT OF SAYING THAT SOMETIMES HIS MINISTRY GETS AN ASSIGNMENT TO BUY WITHOUT EVEN KNOWING WHY. HE SAID THAT, APPARENTLY, THE PEOPLE DEALING WITH USSR NATIONAL GRAIN SUPPLY TAKE ACCOUNT OF MORE THAN SIMPLY THE SIZE OF THE CURRENT OR UPCOMING SOVIET CROP. HE SAID HE COULD NOT PRECLUDE THAT THEIR PURCHASES THIS YEAR TOOK ACCOUNT NOT ONLY OF THE CROP BUT ALSO THE NEED FOR FEED FOR EXPANDING CATTLE FEEDING. THIS SEEMED TO IMPLY A VIEW THAT GROWING FEED NEEDS MAY CONTINUE TO CAUSE IMPORTS TO RISE, QUITE APART FROM YEAR-TO-YEAR FLUCTUATIONS OF USSR CROP.

8. TENTATIVE DATE FOR NEXT CONSULTATIONS IS AROUND OCTOBER 20. U.S. SIDE INDICATED POSSIBLE INTEREST IN MOVING FUTURE CONSULTATIONS TO DECEMBER AND JUNE (OR EARLY JULY); SOVIETS AGREED TO THINK ABOUT IT, BUT SAID THAT DECEMBER IS PROBABLY TOO COLD IN WASHINGTON. TOON

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